

complaint

Miss C complains that NewDay Ltd lent her money irresponsibly because it issued her with a credit card when she was unemployed and had existing debt. She wants a refund of all interest she's paid.

background

Miss C opened an account with NewDay in January 2014. The account had an initial credit limit of £250. In June 2014 the credit limit was increased to £500.

Miss C made payments towards the account but by July 2015 she was unable to make further payments.

Miss C complained to NewDay. She said it had acted irresponsibly by giving her the credit card. She said that when she applied for the card she was unemployed and had payday loans.

In response, NewDay said it had carried out checks and had taken Miss C's employment status into account but based on her household income the loan was affordable.

Miss C didn't agree and complained to this service.

Our investigator didn't feel that the initial decision to approve Miss C's application and provide a credit limit of £250 was irresponsible, but said that NewDay could have done more before it offered the credit increase. The investigator recommended that NewDay refunded interest and charges on any balance over £250 from the date when the credit limit was increased.

NewDay didn't respond to the investigators view so I've been asked to make a final decision.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In deciding whether its appropriate to advance credit, lenders must undertake reasonable and proportionate checks to see if lending is affordable. The checks the lender is required to do depend on several factors including the amount of credit, the level of repayments, what the lender knows about the customer and the information the customer has provided.

When Miss C applied for the card she provided information about her employment status (which she gave as unemployed) and information about her household income (which she gave as approximately £18,000). NewDay also looked at information held by the credit reference agencies.

It isn't possible to say now what was on Miss C's credit file at the time of her application but the fact that she had other loans isn't of itself a reason for NewDay not to advance credit. I'm satisfied that NewDay carried out reasonable and proportionate checks. Based on the information I've seen I can't say that NewDay's decision to advance credit was wrong.

I've looked at how Miss C conducted her account for the first few months before the credit increase. I can see that within the first month Miss C exceeded the credit limit, and continued to do so in the months which followed. I can also see that in March 2014 there was a missed payment. Throughout the first few months, Miss C took regular cash advances on the account.

The conduct of Miss C's account should have alerted NewDay to the possibility that the lending was unaffordable. The relevant guidance says that card issuers should be aware of the risk factors before offering credit limit increases. These risk factors include regular missed or late payments, exceeding the credit limit and making use of cash advances.

I think NewDay should've looked more closely at how Miss C was managing her account. If it had, it would've identified the risk factors and in all likelihood wouldn't have offered Miss C a credit increase. Because of this I'm of the view that NewDay acted irresponsibly in offering the credit increase and I uphold the complaint.

my final decision

I uphold the complaint. NewDay Ltd should

- Refund the interest and any charges incurred on any balance above £250 after the credit limit was increased to £500
- Pay simple interest of 8% per year on all sums refunded from the date of payment to the date of settlement

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 5 August 2019.

Emma Davy
ombudsman